



## Expanded horizons

### Irish tax changes generate fresh securitisation opportunities

New possibilities for securitisation have been created by recent changes to Section 110 of the Republic of Ireland's Taxes Consolidation Act 1997. Section 110 – which provides for favourable taxation treatment for certain vehicles – is revised on a yearly basis, with the latest updates paving the way for a broader range of assets to be securitised.

Under the changes, commodities such as gold can now be securitised, as can plant equipment and machinery. By allowing for the securitisation of carbon offsets, the latest updates to Section 110 also lay the foundations for future 'green' securitisations.

"This is certainly one of the more interesting years [that Section 110 has been updated], as for the first time ever we have a broadening of the type of assets which can be securitised beyond purely financial assets by enabling commodities and plant and machinery to be securitised through Irish SPVs," says Garry Ferguson, partner and head of structured products and capital markets at Walkers in Dublin.

He adds: "The asset base which can be securitised was amended to include commodities, which includes any commodities traded on a recognised commodity exchange. Over the last couple of years there has been a noticeable investor rush towards gold as a safe commodity. As a way to raise finance and as an investment mechanism for the capital markets, securitisation through Irish vehicles will now allow access to what has been a popular asset class since the crisis took hold."

Although plant and machinery is not specifically defined under the amended tax code, from dialogue with the government before Section 110 was amended Ferguson says it is clearly going to include aircraft and aviation leasing securitisation. He notes: "Aviation finance is a real success story for the Irish economy and about half of the world's leased aircraft are managed through Ireland. This is another financing tool to bring business into Ireland for that industry."

Another key development is allowing SPVs to hold carbon offsets. Finding a role for securitisation in environmentally friendly finance has been tried before, with varying degrees of success.

But Ferguson suggests that Ireland's tax code changes could place it at the forefront of green securitisation's future. He notes that the timing of the change coincides with the Irish government announcing its Green International Financial Services Centre (IFSC).

It is unclear how much appetite exists for securitising carbon offsets, but it could be a significant growth area. Ferguson observes: "Enabling 'green securitisation' right now may be more a matter of positioning Ireland after the traditional securitisation markets properly re-emerge."

He continues: "Last year we saw the first signs of the CLO market coming back in the US, with Europe hopefully following suit. We think it is only a matter of time before those traditional markets resurface and one would expect the traditional, simpler structures to constitute the first cycle of public securitisation to re-emerge. The ability to securitise carbon credits positions Ireland for when the markets start to expand beyond the traditional into more 'adventurous' securitisations."

The process of amending Section 110 involves consultation between the Irish Department of Finance, revenue authorities and industry representatives. Along with increasing the number of asset types that can be securitised, the most recent changes to Section 110 will also see additional anti-avoidance provisions. However, Ferguson believes most companies covered by Section 110 will be unaffected by these measures.

He concludes: "We need to continuously reform and stay ahead of market trends and ahead of our competitors; the changes to Section 110 is one of a number of ways for us to do that. Section 110 remains one of the several points of legislative infrastructure that we would have to draw investment into Ireland and to support a thriving financial services industry."

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